

Ann Worcester

ANNUAL REPORTS, WAR DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 1909

REPORT OF THE
CHIEF OF THE BUREAU OF
INSULAR AFFAIRS

TO THE SECRETARY OF WAR

1909



WASHINGTON
GOVERNMENT PRINTING OFFICE
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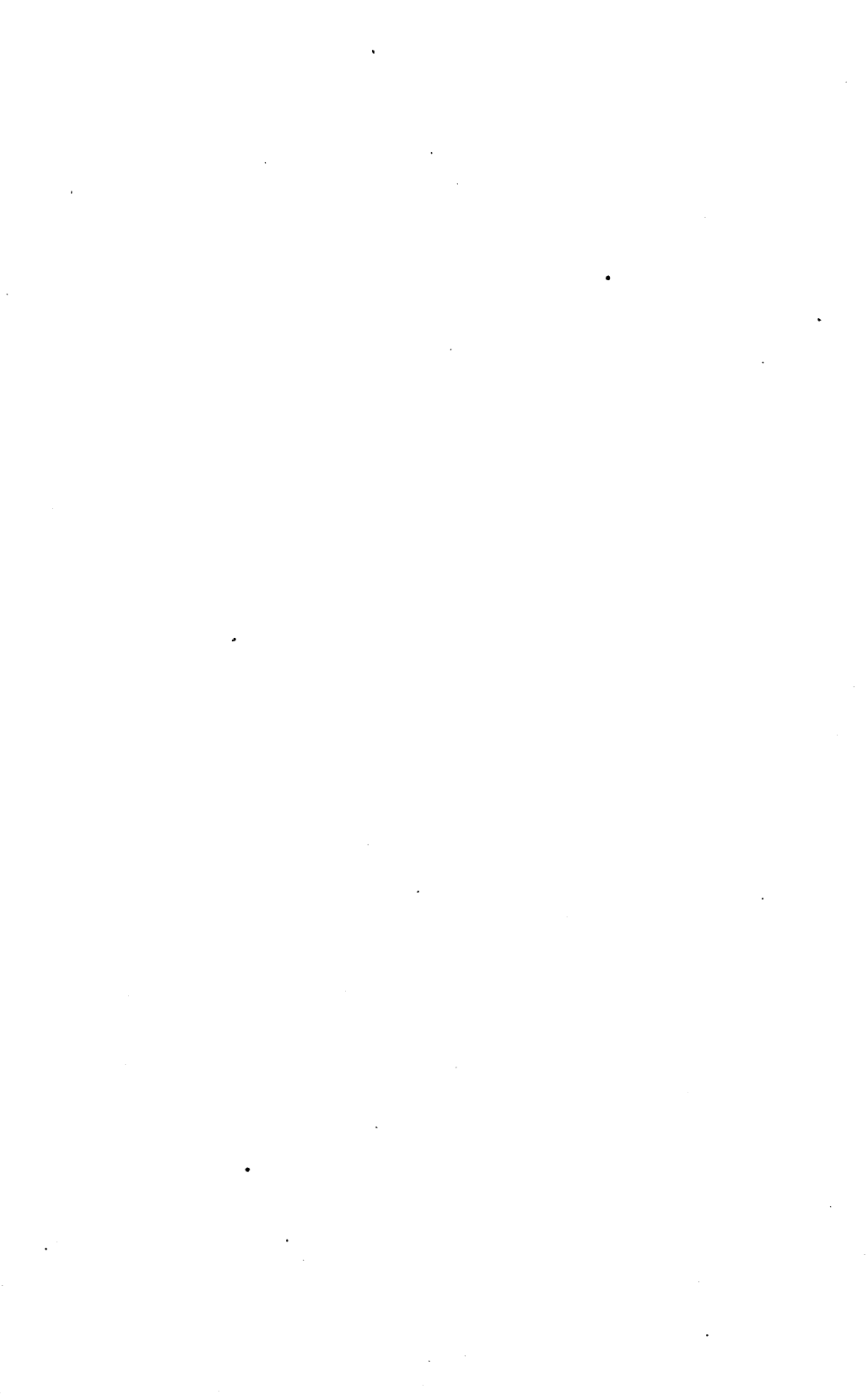
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U.S. Bureau of Internal Affairs.

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REPORT
OF THE
CHIEF OF THE BUREAU OF INSULAR AFFAIRS
TO THE
SECRETARY OF WAR.

WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, October 31, 1909.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

PHILIPPINE ISLANDS.

**LEGISLATION ENACTED BY THE SIXTIETH CONGRESS, SECOND SESSION,
AND THE SIXTY-FIRST CONGRESS, FIRST SESSION.**

TRADE RELATIONS WITH THE UNITED STATES.

By far the most important legislation affecting the Philippine Islands enacted at either of these sessions was the provision contained in section 5 of the act approved August 5, 1909 (United States tariff-revision act), and section 12 of the Philippine tariff act, approved later on the same day.

Section 5 follows:

SEC. 5. That there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That, except as otherwise hereinafter provided, all articles, the growth or product of or manufactured in the Philippine Islands from materials the growth or product of the Philippine Islands or of the United States, or of both, or which do not contain foreign materials to the value of more than twenty per centum of their total value, upon which no drawback of customs duties has been allowed therein, coming into the United States from the Philippine Islands shall hereafter be admitted free of duty, except rice, and except, in any fiscal year, sugar in excess of three hundred thousand gross tons, wrapper tobacco and filler tobacco when mixed or packed with more than fifteen per centum of wrapper tobacco in excess of three hundred thousand pounds, filler tobacco in excess of one million pounds, and cigars in excess of one hundred and fifty million cigars, which quantities shall be ascertained by the Secretary of the Treasury under such rules and regulations as he shall prescribe: *And provided further*, That sugar, refined or unrefined, and tobacco, manufactured or unmanufactured, imported into the Philippine Islands from foreign countries, shall be dutiable at rates of import duty therein not less than the

rates of import duty imposed upon sugar and tobacco in like forms when imported into the United States: *And provided further*, That, under rules and regulations to be prescribed by the Secretary of the Treasury, preference in the right of free entry of sugar to be imported into the United States from the Philippine Islands, as provided herein, shall be given, first, to the producers of less than five hundred gross tons in any fiscal year, then to producers of the lowest output in excess of five hundred gross tons in any fiscal year: *Provided, however*, That in consideration of the exemptions aforesaid, all articles, the growth, product, or manufacture of the United States, upon which no drawback of customs duties has been allowed therein, shall be admitted to the Philippine Islands from the United States free of duty: *And provided further*, That the free admission, herein provided, of such articles, the growth, product, or manufacture of the United States, into the Philippine Islands, or of the growth, product, or manufacture, as hereinbefore defined, of the Philippine Islands into the United States, shall be conditioned upon the direct shipment thereof from the country of origin to the country of destination: *Provided*, That direct shipment shall include shipments in bond through foreign territory contiguous to the United States: *Provided, however*, That if such articles become unpacked while en route by accident, wreck, or other casualty, or so damaged as to necessitate their repacking, the same shall be admitted free of duty upon satisfactory proof that the unpacking occurred through accident or necessity and that the merchandise involved is the identical merchandise originally shipped from the United States or the Philippine Islands, as the case may be, and that its condition has not been changed except for such damage as may have been sustained: *And provided further*, That all articles, the growth, product, or manufacture, as hereinbefore defined, of the Philippine Islands, admitted into the ports of the United States free of duty under the provisions of this section and shipped as hereinbefore provided from said islands to the United States for use and consumption therein, shall be hereafter exempt from the payment of any export duties imposed in the Philippine Islands: *And provided further*, That there shall be levied, collected, and paid, in the United States, upon articles, goods, wares, or merchandise coming into the United States from the Philippine Islands, a tax equal to the internal-revenue tax imposed in the United States upon the like articles, goods, wares, or merchandise of domestic manufacture; such tax to be paid by internal-revenue stamp or stamps, to be provided by the Commissioner of Internal Revenue, and to be affixed in such manner and under such regulations as he, with the approval of the Secretary of the Treasury, shall prescribe; and such articles, goods, wares, or merchandise, shipped from said islands to the United States, shall be exempt from the payment of any tax imposed by the internal-revenue laws of the Philippine Islands: *And provided further*, That there shall be levied, collected, and paid in the Philippine Islands, upon articles, goods, wares, or merchandise going into the Philippine Islands from the United States, a tax equal to the internal-revenue tax imposed in the Philippine Islands upon the like articles, goods, wares, or merchandise of Philippine Islands manufacture; such tax to be paid by internal-revenue stamps or otherwise, as provided by the laws in the Philippine Islands, and such articles, goods, wares, or merchandise going into the Philippine Islands from the United States shall be exempt from the payment of any tax imposed by the internal-revenue laws of the United States: *And provided further*, That, in addition to the customs taxes imposed in the Philippine Islands, there shall be levied, collected, and paid therein upon articles, goods, wares, or merchandise, imported into the Philippine Islands from countries other than the United States, the internal-revenue tax imposed by the Philippine government on like articles manufactured and consumed in the Philippine Islands or shipped thereto, for consumption therein, from the United States: *And provided further*, That from and after the passage of this act all internal revenues collected in or for account of the Philippine Islands shall accrue intact to the general government thereof and be paid into the insular treasury, and shall only be allotted and paid out therefrom in accordance with future acts of the Philippine Legislature, subject, however, to section seven of the act of Congress approved July first, nineteen hundred and two, entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes:" *And provided further*, That, until action by the Philippine Legislature, approved by Congress, internal revenues paid into the insular treasury, as hereinbefore provided, shall be allotted and paid out by the Philippine Commission.

Section 12 of the Philippine tariff act is as follows:

SEC. 12. That all articles, except rice, the growth, product, or manufacture of the United States and its possessions to which the customs tariff in force in the United States is applied and upon which no drawback of customs duties has been allowed therein, going into the Philippine Islands shall hereafter be admitted therein free of customs duty when the same are shipped directly from the country of origin to the country of destination: *Provided*, That direct shipment shall include shipment in bond through foreign territory contiguous to the United States. Said articles shall be as originally packed without having been opened or in any manner changed in condition: *Provided, however*, That if such articles shall become unpacked while en route by accident, wreck, or other casualty, or so damaged as to necessitate their repacking, the same shall be admitted free of duty upon satisfactory proof that the unpacking occurred through accident, or necessity, and that the merchandise involved is the identical merchandise originally shipped from the United States, or its possessions as hereinbefore provided, and that its condition has not been changed except for such damage as may have been sustained.

In accordance with these acts and the regulations issued thereunder goods (except rice) which are the growth, product, or manufacture of the United States are admitted into the Philippine Islands free of duty provided the shipment conforms to the following conditions:

1. That no drawback of customs duty has been allowed.
2. That they are shipped direct. Direct shipment will include shipment in bond through Canada or Mexico, but the goods must make the entire ocean trip in one bottom. The vessel may call at foreign ports en route and the shipment still be regarded as direct; but if the goods are transshipped en route, the shipment will not be regarded as direct and will be dutiable upon entry into the Philippine Islands.
3. That a certificate of origin of each shipment, properly executed in accordance with Treasury Department regulations, be presented to the collector of customs at the port of entry.

Similarly, with the exception of rice, all goods, the growth, product, or manufacture of the Philippine Islands may be shipped to the United States free of duty under identical conditions with the added ones that—

1. In any one year the number of cigars is limited to 150,000,000, the wrapper tobacco and filler tobacco, when mixed with more than 15 per cent of wrapper tobacco, to 300,000 pounds, the filler tobacco to 1,000,000 pounds, and sugar to 300,000 gross tons.
2. Not more than 20 per cent of the value of manufactured articles shall consist of foreign materials.

Shipments either way which do not in all respects fulfill the foregoing conditions are subject to the duty imposed on shipments of like articles from foreign countries.

This legislation was the result of a continuous effort of the department and bureau extending through several years. The Philippine Islands, owing to conditions which have been recited in previous reports of the bureau, were perhaps more in need of special consideration in the matter of tariff legislation than any part of our territory.

The delay in obtaining relief has at times been discouraging, but now that Congress has acted the delay has been in part, at least, justified by the result. It is believed that the subject has received the special consideration needed, and that no part of our territory is more

avored than are the Philippine Islands under present trade arrangements.

While there is a limit to the amount of sugar and tobacco, the product of the islands, which may be admitted free of duty into the United States, the limit is well beyond the present capacity of the islands, and admits of a healthy growth of these industries while still retaining the great advantage of free entry to the United States market for the entire product suitable to the trade.

On the other hand, by the privilege of free ships in the trade between the United States and the islands, and particularly by the continuance of a special tariff adapted to their capacity and needs, the islands are peculiarly favored.

It is believed that the people of the Philippine Islands have every reason to be content with the new tariffs, and that there will result from them that prosperity in the islands which should be the result of their relation to the United States.

The history of the effort to obtain these results is contained in the several preceding annual reports of this bureau.

This legislation has been in effect too short a time to enable us to base on actual results conclusions as to its benefits. However, results to date are strongly confirmatory of the views advanced in previous reports of the bureau urging this legislation, that it would be of distinct advantage to us regardless of its advantages to the Filipino people to whom it would be of immediate and great benefit.

In the Philippines the net result so far has been to increase the price paid to the grower for his leaf tobacco from 10 per cent for the poorer grades to 45 per cent for the best grade grown in Isabela and Cagayan provinces. The price received by the producer of sugar for his product has similarly increased by 25 per cent. These are increases which may be attributed wholly to the new trade relations, fluctuations in the world's market having been eliminated.

On the other hand, in the last month of which there is available record, September, 1909, the exports to the Philippine Islands of American goods was more than double that of the same month of the previous year, which was an average month. This increase was general, including practically every class of goods imported from the United States.

Up to date the importation into the United States of Philippine cigars has been at the rate of about 75,000,000 per year, or one-half the limit for free admission.

The effect on the American industry of this importation may well be judged by the fact that these cigars may be found only with the greatest difficulty.

PHILIPPINE TARIFF.

Second only in importance to the establishment of new trade relations between the United States and the islands was the enactment by Congress on August 5, 1909, approved the same date, of a revision of the Philippine tariff act of March 3, 1905.

In his special message to Congress of April 14 last, transmitting the proposed Philippine tariff law, the President said:

This measure revises the present Philippine tariff, simplifies it, and makes it conform as nearly as possible to the regulations of the customs laws of the United States, especially with respect to packing and packages. The present

Philippine regulations have been cumbersome and difficult for American merchants and exporters to comply with. Its purpose is to meet the new conditions that will arise under the section of the pending United States tariff bill which provides, with certain limitations, for free trade between the United States and the islands. It is drawn with a view to preserving to the islands as much customs revenue as possible, and to protect in a reasonable measure those industries which now exist in the islands.

* * * * *

I respectfully recommend that this bill be enacted at the present session of Congress as one incidental to and required by the passage of the Payne bill.

The draft thus transmitted had been prepared by a board of customs officers in the Philippine Islands. These officers had intimate knowledge of the law of 1905, its defects and the difficulties in its operation, and devoted practically one year to the preparation of this draft. Holding its sessions in the islands a hearing was given to all those interested in the subject.

The result of its labor was given publicity in the United States by this bureau, and such objections as were made were given consideration, and the proposed bill modified where deemed advisable.

After its receipt by Congress there were further hearings, and a number of resulting modifications. There is every reason to believe that the bill as enacted will accomplish every purpose outlined in the President's message recommending its passage.

INTERNAL-REVENUE TAXES.

The urgent deficiency appropriation act approved February 9, 1909, contained the following provision:

That the internal-revenue taxes imposed by the Philippine government and collected under sections 109 and 139 of Act Numbered 1189 of the Philippine Commission, and under Acts Numbered 1461 and 1761 of the Philippine Commission are hereby legalized and ratified, and the collection of all such taxes heretofore or hereafter is hereby legalized and ratified and confirmed as fully to all intents and purposes as if the same had by prior act of Congress been specifically authorized and directed.

This legislation was enacted at the instance of the governor-general to remove any doubt of the legality of certain internal-revenue collections on imported goods made pursuant to legislation of the Philippine Commission.

DISTRIBUTION OF PUBLIC DOCUMENTS.

On the last day of its session, on the recommendation of the Bureau, the Sixtieth Congress passed an act providing that there be furnished the governor-general of the Philippine Islands 10 copies of the daily Congressional Record and three copies of all bills, resolutions, documents, and reports, as printed.

SESSIONS OF THE PHILIPPINE LEGISLATURE.

On January 16, 1908, the Philippine Legislature, by a joint resolution, recommended that the act of Congress of July 1, 1902, be amended so as to permit the Philippine Legislature to fix the date of the commencement of its annual sessions. The proposed amendment had the cordial approval of the War Department and of both of the Resident Commissioners to the United States. The act of July 1,

1902, provided that the Legislature shall hold annual sessions, commencing on the first Monday in February and continuing not exceeding ninety days thereafter, not including Sundays and holidays. The sessions of the Legislature were thus made to coincide with what is in the Philippines the hottest season of the year.

An act making this recommendation effective was passed by Congress and approved on February 27, 1909, in accordance with which the Philippine Legislature, by act of May 20, 1909, fixed October 16 as the date, beginning with the year 1910.

LEGISLATION NOT FINALLY ACTED UPON.

SPECIAL TERMS OF THE SUPREME COURT.

A joint resolution was introduced at the last session of Congress to authorize the supreme court of the Philippine Islands to hold a special term or terms in each year at Baguio, the "summer capital," or at any other suitable place in the islands, and to make such orders with reference to the transfer of records and issuing of process as shall be necessary to make the orders, decrees, and judgments entered by the court in such special term or terms effective. The resolution is still pending, no action having been possible.

It is recommended that Congress be requested to enact this resolution.

RAILROADS.

LUZON.

In inviting proposals for the construction of railways in the Philippines in 1905, the Philippine government included in the proposed lines a line to Baguio, in the mountains of Benguet. It was the intention to develop this site into a summer capital of the islands, a recuperating station, a sanitarium for the civil government and Army, as well as one of the principal army posts of the islands.

Those who were interested in the railway construction were unwilling to undertake such expensive mountain construction in a wholly undeveloped region even under the most favorable terms, which the Philippine government could, within the terms of the congressional authority, offer.

Thus, to the disappointment of the department and the Philippine government, no proposal for the construction to Baguio was submitted.

The Manila Railroad Company, however, was given and accepted a concession to build a branch line to within about 22 miles of Baguio.

Meantime, notwithstanding its relative inaccessibility, there was a continuous slow development of Baguio coincident with a rapid growth of the belief in its advantages and in the necessity of its permanent development.

There was likewise a feeling that in order to obtain the full advantage of the line to be constructed in Ambos Camarines and Albay, in the south of Luzon, it would be necessary to connect it with the lines extending south of Manila. This would require the construction of approximately 135 miles of road in a poorly developed territory.

On the other hand the Manila Railroad Company felt the necessity of obtaining government guaranty of its securities under the act of Congress under which it was constructing in part the lines in interest.

After full and careful consideration and negotiations between the War Department, the Philippine government, and representatives of the railway a tentative agreement was reached.

This agreement was signed by the authorized representative of the Manila Railroad Company and the Secretary of War, representing the Philippine government, on December 31, 1908. By it the company agreed to construct a new port connection at Manila (3 miles), the Baguio extension from Camp One (22 miles), and a connecting line from Lucena to Nueva Cáceres (about 135 miles), in order to connect the line from Manila to Lucena with the line in the southern provinces of Ambos Camarines and Albay. In consideration of this undertaking the Philippine government was to guarantee interest at 4 per cent per annum on first-lien bonds to be issued by the company secured by mortgage, such guaranty to be on the lines south of Manila only, known as the southern or guaranteed system, and also the line from Camp One to Baguio. This guaranty was to be under conditions similar to those granted the Philippine Railway Company in the islands of Panay, Cebu, and Negros, with the restriction that the annual contingent liability of the Philippine government under said guaranty was not to exceed the amount available therefor over and above the annual contingent liability of that government under its guaranty contained in the concessionary contract or grant to the Philippine Railway Company, unless the Philippine government should be authorized by Congress to increase the amount of its annual contingent liability beyond the limit authorized by section 4 of the act of Congress approved February 6, 1905, which places the limit at \$1,200,000.

The Philippine Legislature, on May 19, 1909, ratifying this agreement, passed act No. 1905, granting authority for amending the concession in these particulars, and an amended concessionary contract has been duly executed and signed on the part of the Philippine government, and accepted by the grantee, ratifying the change in the original concession or grant.

When completed this additional mileage and connecting branch will mean a total of about 815 miles, and give the island of Luzon a trunk line extending from San Fernando (Union Province) in the north to Albay in the south, together with the important port facilities at Manila and the very necessary extension to Baguio.

PHILIPPINE RAILWAY COMPANY.

Work is progressing very satisfactorily in the southern islands, and the material and rolling stock are said to be of a quality and type to meet the demand of traffic at present.

The locomotives are American in make and of three types—50-ton for heavy construction work and ballasting and 30-ton and 35-ton for mixed-train service. Some small German locomotives are used for switch engines.

The track is narrow gauge, and with the exception of 20 miles in Cebu and 20 miles in Panay 70-pound steel rails have been used. Hard wood of the highest grade was used for ties, and 6 inches of

ballast were put under the tie as a standard, but owing to settling in the mud many instances are noted where 12 inches of ballast were tamped. The telegraph lines are strung with No. 10 copper wire, with telephones for dispatching, and the stations are equipped with train-order signals. The road is operated, where complete, with the dispatcher's block system. The passenger coaches have a steel under-frame and are equipped with complete air brakes and signals. The first-class and parlor coaches are finished in teak and the second class in sheathed yellow pine. The freight equipment comprises 10 and 20 ton steel-frame cars convertible from flat to box; also 40-ton wooden construction flats and 30-ton wooden ballast cars. All these cars are equipped with conductor's air, automatic couplers, and air brakes.

The maximum grade on these lines is 1 per cent and the maximum curvature 6 per cent. The width of embankment is 14 feet at shoulder line, with sufficient expansion, both vertical and horizontal, allowed so that after two rainy seasons the embankment will conform to the 14-foot standard. The bridges are constructed of steel and reinforced concrete, with reinforced cement piles.

Storehouses, machine shops, woodworking shops, power houses, coach sheds, freight and office buildings, roundhouses, lumber sheds, and turntables have been practically completed, all being built of reinforced concrete.

The Philippine government is very active in encouraging agriculture in the districts traversed by the railway lines, especially in the culture of tobacco and maguey, which work is already giving good results, and the farmers are greatly interested, for the reason that the returns from maguey are greater than realized from any crop heretofore, while the inducement to produce the best quality is found in the better market price obtained. A large force of men are engaged in distributing these plants to the native farmers. The past year the Philippine bureau of agriculture, with the assistance of the railway officials, distributed 350,000 maguey plants, and this year over 2,000,000 plants will be distributed. The farmers have been instructed in the best methods of planting, cultivating, and harvesting the product, so as to obtain the best results. A maguey-stripping machine, loaned by the government, was installed on a flat car and operated free of charge at points reached by the railway.

Cebu.—In the island of Cebu practically all of the railway has been completed, except that across the island from Carcar to Barili and south to Mualbual, which is now under investigation and survey, and 60 miles are in operation. The line now connects the northern and southern terminal points of Danao and Argao. There are 22 stations on this line, 20 of which are constructed of reinforced concrete. Four mixed trains are run daily each way, giving an excellent passenger and fast-freight service.

During the year the freight business practically amounted to nothing, and the passenger traffic was ridiculously small, owing to the high rates then prevailing, which it was feared would not only affect the present income of the company, but so discourage the small producer who has recently located along the line, that he might abandon his small holdings, thereby destroying an important source of future income. These rates have now been very materially reduced, and the effect in increased interest of the people and marked increase in business is quite noticeable.

The Carcar-Barili branch line will be an expensive one, but it has been creditably stated that no part of the islands produces greater excess over and above that needed for subsistence of the population than the country which this line would tap.

Panay.—Work is progressing favorably on the Panay line from both ends. Previous to the rainy season construction work was pushed in the lowlands, and during the rainy season operations were practically confined to the cuts and higher lands. Over 50 miles are constructed and in operation. When completed the line will connect Iloilo and Capiz and be about 75 miles in length, with branches to Batan and Calivo. Ten stations of reenforced concrete have been constructed on this line. Mixed trains give a daily service, which is said to be quite satisfactory for present demands. It is contemplated to build an electric line from Iloilo to the near-by small towns and barrios, to serve as a feeder for the railway line.

Panay offers a wonderful opportunity for a railroad. While the contour of the country is so irregular as to make railroad building undoubtedly very difficult, yet the line runs through a wonderfully rich country which only needs a proper outlet to increase production many times.

The passenger and freight rates have also been reduced in Panay, and the increase in both kinds of traffic was noticeable from the first day of the reduction.

Negros.—There has been no construction in this island as yet.

MINDANAO.

At its meeting of August 28, 1908, the legislative council of the Moro province passed the following:

It being understood that the War Department is again considering the question of the construction of a railroad from Camp Overton to Camp Keithley, the legislative council of the Moro Province earnestly requests the Philippine Commission to represent to the honorable the Secretary of War the great advantage that will result from such railroad construction in bringing to a state of permanent peace and order a most important part of the Moro Province.

The construction of this railroad would open and develop a large area of fertile country and go far toward settling the harassing Moro question in the Lake Lanao basin, and indirectly throughout the entire island of Mindanao. It will be of the greatest value to the civil government both administratively and economically. It will decrease the cost of administration and supply, render possible a reduction in the constabulary force necessary in the Lake basin, and be a powerful factor in extending and strengthening the influence of the civil government.

It is earnestly recommended that action be taken to construct this line without delay.

PHILIPPINE CURRENCY.

PAPER CURRENCY.

During the fiscal year there were prepared at the Bureau of Engraving and Printing of the Treasury and sent to Manila ₱4,000,000 in 20-peso notes. To June 30, 1909, paper currency had

been sent to the Philippines in amounts and denominations as follows:

2-pesos-----	P9, 000, 000
5-pesos-----	6, 000, 000
10-pesos-----	16, 000, 000
20-pesos-----	10, 000, 000
50-pesos-----	4, 000, 000
100-pesos-----	4, 000, 000
500-pesos-----	6, 000, 000
	<hr/> 55, 000, 000

SILVER COINAGE.

Under the act of Congress approved June 23, 1906, 3,621,500 pesos in Philippine silver coin were shipped to the San Francisco mint during the fiscal year for recoinage in accord with the new standard of weight and fineness, making the total silver shipments to June 30, 1909, 27,526,500 pesos. From recoinage there were delivered by the San Francisco mint during the fiscal year (including shipment on transport sailed July 5, 1909) 15,411,977.70 pesos of silver and 39,157.37 pesos of copper coin. Total deliveries of new coin to June 30, 1909, were:

Pesos-----	P36, 199, 955. 00
50-centavos-----	2, 700, 538. 50
20-centavos-----	1, 180, 515. 40
10-centavos-----	978, 968. 80
1-centavo-----	39, 157. 37
	<hr/> 41, 108, 135. 07

DEPOSITARIES.

Since my last report the following institutions have been designated as depositaries of the Philippine government: National City Bank, New York City; Standard Trust Company, New York City; Central Trust Company of Illinois, Chicago; Seattle National Bank, Seattle, Wash.; National Bank of Commerce of Boston, Boston.

The deposits of the treasurer of the Philippine Islands with depositaries in the United States on June 30, 1909, amounted to \$10,376,-313.40 as against \$8,034,602.94 on June 30, 1908.

BONDED INDEBTEDNESS.

An issue of \$1,000,000 city of Manila sewer and waterworks construction bonds was sold on May 21, 1909, and \$1,500,000 public improvements bonds were sold August 17, 1909.

Total bonded indebtedness of the Philippine government, October 31, 1909.

	Amount.	Redeem- able.	Due.
Land-purchase bonds, 4 per cent.	\$7, 000, 000	1914	1934
Public works and improvements bonds, 4 per cent.	2, 500, 000	1915	1935
Do.	1, 000, 000	1916	1936
Do.	1, 500, 000	1919	1939
City of Manila sewer and waterworks bonds, 4 per cent.	1, 000, 000	1915	1935
Do.	2, 000, 000	1917	1937
Do.	1, 000, 000	1918	1938
Total	16, 000, 000		

PURCHASE OF SUPPLIES.

During the fiscal year the bureau received from the Philippine government 1,044 requisitions by mail and 115 by cable, an increase over the previous year of 124 and 5, respectively. There was disbursed by the bureau for supplies for the Philippine government and for expense of shipment, etc., \$890,549.53, as against \$606,595.89 for the preceding year. These supplies were purchased through the agency of the bureau, maintained in New York City, in the manner which has been detailed in previous reports. The bureau also purchases through the New York agency such supplies as are needed by the general receiver of Dominican customs.

DISBURSEMENTS.

Disbursements of Philippine revenues by the disbursing agent at Washington for the fiscal year were \$1,972,050.42, in settlement of 4,676 accounts, and the total disbursements from May 20, 1901, the inauguration of the disbursing office, to June 30, 1909, amounted to \$35,094,857.22, in settlement of 24,786 accounts.

COMMERCIAL STATISTICS.

Monthly reports of the commerce of the islands during the past year show the value of both imports and exports somewhat below the average of recent years. The uncertainty of pending tariff legislation toward the close of the year affected the export total to some extent in consequence of the important bearing of that legislation on sugar exports, but in the falling off of import values tariff disturbance of trade appears to have figured to no important degree, and the general condition as indicated by the year's figures is explained rather by commercial depression.

IMPORTS.

The imports, exclusive of gold and silver and government supplies, for the fiscal years 1899-1909 were as follows:

Fiscal year.	From—		Total.
	United States.	Other countries.	
1899 ^a	\$1,150,613	\$11,962,397	\$13,113,010
1900.....	1,657,701	18,943,735	20,601,436
1901.....	2,855,685	27,423,721	30,279,406
1902.....	4,035,243	28,108,599	32,143,842
1903.....	3,944,098	29,027,784	32,971,882
1904.....	4,638,216	28,587,545	33,225,761
1905.....	5,761,498	25,114,852	30,876,350
1906.....	4,333,893	21,465,373	25,799,266
1907 ^b	5,155,359	23,630,496	28,785,855
1908 ^b	5,079,487	25,838,870	30,918,357
1909 ^b	4,691,770	23,100,627	27,792,397

^a August 20, 1898, to June 30, 1899.

^b Figures exclude free-entry railway supplies.

Of the reduced import value for the year ended June 30, 1909, more than half is to be found in the item of rice, and this, taken as a measure of increased local production and increased capacity on the part of the islands to supply their staple foodstuff, must be considered a favorable feature of the year's figures. Foreign rice—almost

wholly from the French East Indies—was purchased to the value of \$4,250,223, or \$1,611,033 less than in 1908. There was a substantial reduction in quantity, but reduced prices were also an important factor. Wheat flour has continued to find increasing favor as a food-stuff, and 291,680 barrels were imported, as compared with 256,055 barrels in 1908, with an increased value of \$127,752. Flour is practically all supplied by the United States and Australasia, and the American product made up considerably more than half of the year's purchases.

In the cotton trade of the islands for the year, amounting to \$6,944,978, there was a reduction of \$1,066,856 as compared with 1908. All the leading classes of these imports figured with reduced totals, and all the leading countries in this trade shared in the general decline except Japan, which, with steadily increasing sales in previous years, passed all competitors in 1909 and took second rank in this preeminently British trade. These imports from the United Kingdom amounted to \$3,499,452, as compared with \$4,161,487 in 1908; purchases from Japan increased from \$515,615 to \$662,019, while those from the United States declined from \$685,919 to \$590,635.

The iron and steel trade was smaller by \$231,232, but imports from the United States slightly increased, amounting to \$818,991 of the total of \$1,933,475, and took a conspicuously foremost place in the smaller market, while the United Kingdom and Germany, the only other competitors of any importance, bore the chief part of the year's decline. In other branches of the islands' trade, however, more exclusively American, the United States did not fare so well. Imports of illuminating oil declined from \$806,112 to \$614,334, with heavy reductions in consignments from the United States, while Sumatra oil found an increased sale, and, with a value of \$227,642, presented the most serious competition to the great American export since the disappearance of Russian oil from the Philippine market. The American shoe has steadily gained favor, so that the large reduction of \$177,294 in the import value of shoes fell heavily on the United States.

Imports of coal declined in value from \$567,220 to \$461,465, though prices in the Australian market, from which the supply chiefly comes, averaged substantially the same. Recent active exploitation of Philippine coal mines presents a factor of growing importance in connection with declines in this trade. Cement, supplied chiefly by Hongkong, was imported to the value of \$247,425, or \$83,718 less than in the previous year. Opium imports, which under restrictive measures had declined from three-quarters of a million annually to \$143,670 in 1908, practically disappeared from the islands' trade in 1909. Alcoholic liquors, on the other hand, increased \$67,604 in value and amounted to \$593,633.

A notable exception to the general reduction in the year's trade was in the group of meat and dairy products. In all of the leading items of this group increased import values were reported. Fresh beef reached the unprecedented figure of \$852,461, or \$372,904 more than in 1908. This increase was, however, offset in large measure by a \$300,000 decline in cattle imports coincident with active quarantine and restrictive measures against the importation of diseased and infected animals. The Chinese cattle trade suffered heavily, while Australasia profited by the increased demand for refrigerated meat and supplied practically all of the fresh beef as well as the

substantially increased imports of fresh pork and mutton. There was also a marked growth in the butter trade, chiefly supplied by Australasia and Denmark as heretofore, while the steadily increasing demand for condensed milk continued and reached a value of \$406,607, of which the United Kingdom contributed \$235,558 and the United States \$97,555.

The share of the United States in the import trade of the islands amounted to \$4,691,770, and was \$387,717 less than in 1908. Nearly half of the year's total was made up of leather and iron and steel, and of the two great American export staples, wheat flour and illuminating oil, while the balance was of a widely diversified character. American goods constituted 17 per cent of the total value of Philippine imports, and there was a relatively insignificant increase over the proportion of the previous year. Under the free trade conditions inaugurated by the new tariff there will be a considerable increase in American shipments, and the extent to which the Philippine market will be supplied by the United States will depend almost wholly upon the extent to which the American manufacturer will press his opportunity and adapt his products to the local tastes and requirements.

EXPORTS.

The exports, exclusive of gold and silver, for the fiscal years 1899–1909 were as follows:

Fiscal year.	To—		Total.
	United States.	Other countries.	
1899 ^a	\$3,540,894	\$8,826,018	\$12,366,912
1900.....	3,522,160	16,228,908	19,751,068
1901.....	2,572,021	20,642,927	23,214,948
1902.....	7,691,743	16,235,936	23,927,679
1903.....	13,863,059	19,256,840	33,119,899
1904.....	11,102,775	19,147,852	30,250,627
1905.....	15,668,026	16,684,589	32,352,615
1906.....	11,579,411	20,337,723	31,917,134
1907.....	12,079,204	21,634,153	33,713,357
1908.....	10,323,233	22,493,334	32,816,567
1909.....	10,215,331	20,778,232	30,993,563

^a August 20, 1898, to June 30, 1899.

The total value of exports for the year was less than for any fiscal period since 1904, and in the net reduction of \$1,823,004, as compared with the figures of 1908, both the great hemp and sugar industries figured largely, exports of copra substantially increased, and tobacco made slight gains, while in the miscellaneous group of minor products there was a very general decline in values.

The worst feature in the export trade was the low price of manila hemp. The market conditions of this great staple—exclusively the product of the Philippines—were characterized by heavy shipments and steadily declining prices throughout the year. Export production reached the highest figure since American occupation, while prices averaged the lowest since 1899. The year opened with the abnormally low average export price of \$120 per ton, and with a generally downward tendency closed at approximately \$100. The total exports for the year were 147,621 tons, or 33,618 tons more than for the previous year, and yet this greatly increased quantity was

marketed at a value \$1,478,181 less than that received for the exports of 1908.

Hemp made up a reduced proportion of the total export trade, but still constituted slightly more than half. The United States and the United Kingdom were the principal purchasers as heretofore; 77,958 tons were shipped to the United States and 54,533 tons found a British market. The fact of larger shipments to the United States, taken in conjunction with reduced American purchases of sisal, gives statistical confirmation to the trade statements that manila hemp on the basis of lower prices is finding favor with the American manufacturer to the displacement of the inferior Mexican fiber.

Exports of sugar in 1909 amounted to 110,604 tons, a reduction of 38,718 tons and of \$1,291,328 in value as compared with those of 1908. These figures are not, however, as significant of a definite loss as the reduced value of hemp. The smaller quantity of sugar marketed during the year was at a somewhat higher average price than that of 1908, while fiscal year returns are not a very trustworthy index to production in the sugar industry and are subject to wide fluctuations. The crop or campaign year in the Philippines is much more nearly coincident with the calendar year, while the fiscal period, ending in the midst of the active export of the crop, is subject to much irregularity in consequence of early or late harvesting. In 1909 this condition was further emphasized by the tariff legislation pending at the close of the fiscal period, and the tendency to accumulate and hold back stocks awaiting congressional action. Estimates for 1909 have pointed to a normal crop, while exports from January to June were only 71,714 tons as compared with 103,558 tons during the same period of the previous year. Of the total sugar exports for the fiscal year, the China-Hongkong market took 86,435 tons, or slightly more than in 1908. Exports to the United States were 20,948 tons, with delayed shipments awaiting free-trade legislation yet to be accounted for.

Copra in 1909 further confirmed its increasing importance as an export of the Philippines and ranked second only to hemp, with a value of \$6,657,740. The average price was slightly less than in 1908, but the quantity increased from 75,211 tons to 103,896 tons, with an increased value of \$1,196,060. The greater part of it found a French market as in the past. Spain continued the leading purchaser of secondary importance, but Belgium assumed a new prominence in the trade and was credited with \$634,288 worth. Exports to the United States were relatively unimportant, and though of the increased production American purchases amounted to \$287,484 as compared with \$228,565 in 1908, the growing market of the United States is still chiefly supplied from other sources.

Exports of tobacco in its various forms amounted to \$2,792,253. The value of the cigar trade was \$1,083,702, or almost the same as in 1908, but leaf exports in consequence of a slight increase both in quantity and average price produced \$80,646 more and amounted to \$1,662,269. Half of the cigar exports found a near-by oriental market in China and in the two great eastern distributing centers, Hongkong and Singapore, while Australasia and the United Kingdom were the other leading purchasers. Leaf tobacco was taken by Spain to the value of \$1,065,533, and most of the remainder found a market in Austria-Hungary, the Netherlands, and France. No leaf tobacco was shipped to the United States, but cigars figured to the value of

\$43,818. The bulk of these left the islands in the months of May and June and were obviously shipments made in contemplation of free entry under the then pending tariff legislation.

Among minor exports there was a substantial increase in the quantity of maguey, but the condition of the cordage fiber market that figured so disastrously in the case of hemp was reflected also in the price of maguey and there was only a nominal increase in the value of the year's trade. In the value of cocoanut oil exported, there was a reduction of \$105,153. This trade was coincident with the establishment of a factory at Manila and reached a value of over a quarter of a million dollars in 1908. With the destruction of the plant by fire during the past year these exports ceased. The making of hats is a local industry of some export importance, and this trade of \$168,522 was about the same as in 1908, but other exports of minor importance declined very generally in value.

Of the year's exports the United States took only a slightly smaller value than in 1908, and was credited with \$10,215,331, or a third of the total. The large American demand for hemp has made the United States a good customer of the islands in the past, while limited free entry of Philippine sugar and tobacco under the new tariff provides a much improved market for these staples and free admission of other commodities furnishes a new stimulus to their production. A new era of activity and an increased volume of trade is, therefore, to be expected with the establishment of practically free trade between the islands and the United States.

RECEIPTS AND EXPENDITURES.

The following statement of revenues and expenditures of the Philippine government, exclusive of all items of a refundable character, covers the period from the date of American occupation, August 18, 1898, to June 30, 1909:

REVENUES.

Fiscal year ended June 30—	Insular.	Provincial.	City of Manila.	Total.
1899	\$3, 558, 682. 83			\$3, 558, 682. 83
1900	6, 899, 340. 53			6, 899, 340. 53
1901	10, 753, 459. 95			10, 753, 459. 95
1902	9, 371, 283. 11	\$2, 008, 480. 88	\$1, 199, 593. 21	12, 579, 357. 20
1903	10, 757, 455. 63	2, 527, 252. 93	1, 541, 575. 85	14, 826, 284. 41
1904	10, 249, 263. 98	3, 295, 839. 47	1, 931, 129. 97	15, 476, 233. 42
1905	11, 549, 495. 37	3, 107, 912. 91	1, 441, 165. 82	16, 098, 574. 10
1906	11, 468, 067. 16	4, 509, 572. 02	1, 995, 289. 85	17, 972, 929. 03
1907	11, 149, 619. 25	4, 604, 528. 31	1, 691, 341. 93	17, 445, 489. 49
1908	10, 899, 261. 44	4, 573, 072. 32	2, 226, 226. 15	17, 698, 559. 91
1909	11, 369, 733. 56	5, 845, 343. 20	2, 148, 872. 75	19, 363, 949. 51
Total	108, 025, 662. 81	30, 472, 002. 04	14, 175, 195. 53	152, 672, 860. 38

EXPENDITURES.

Fiscal year ended June 30—	Insular.	Provincial.	City of Manila.	Total.
1899	\$2, 376, 327. 12			\$2, 376, 327. 12
1900	4, 758, 793. 66			4, 758, 793. 66
1901	6, 451, 528. 37			6, 451, 528. 37
1902	8, 189, 404. 59	\$1, 633, 158. 22	\$622, 294. 81	10, 444, 857. 62
1903	10, 249, 533. 40	1, 981, 261. 22	1, 177, 611. 67	13, 408, 406. 29
1904	11, 122, 562. 38	2, 339, 826. 10	1, 578, 203. 50	15, 040, 691. 98
1905	12, 248, 857. 33	1, 474, 320. 43	2, 574, 102. 78	16, 297, 280. 54
1906	10, 146, 779. 12	4, 335, 091. 32	2, 492, 392. 23	16, 974, 262. 67
1907	8, 408, 012. 84	4, 367, 038. 20	1, 560, 801. 40	14, 704, 852. 44
1908	11, 469, 785. 64	4, 367, 407. 82	1, 897, 858. 36	17, 735, 051. 82
1909	11, 733, 600. 86	5, 555, 518. 03	2, 069, 393. 59	19, 358, 512. 48
Total	97, 155, 185. 31	26, 422, 621. 34	13, 972, 758. 34	137, 550, 564. 99

Receipts and expenditures for the fiscal year ended June 30, 1909.

AVAILABLE FOR ADMINISTRATIVE PURPOSES.

Amount of funds in the Philippine treasury on June 30, 1909,
available for purely administrative purposes, exclusive of
funds derived from refundable collections and bond issues..... \$5, 099, 498. 22

INSULAR.

Insular net revenues for the fiscal year ended June 30, 1909,
excluding all items of a refundable character..... 11, 369, 733. 56
Net ordinary insular expenditures, including interest on bond
issues and contributions made to the city of Manila, cancella-
tion of loans to provinces, and contributions for provincial
administrative purposes..... 11, 733, 600. 86

Excess of insular expenditures over revenues..... 363, 867. 30

CITY OF MANILA.

Revenues collected by the city, inclusive of the amount con-
tributed by the insular government under provisions of the
charter of the city..... 2, 148, 872. 75
Ordinary expenditures of the city, including interest and sinking
fund charges on sewer and waterworks construction bonds..... 2, 069, 393. 59

Excess of receipts over expenditures..... 79, 479. 16

OTHER DISBURSEMENTS.

Disbursements were also made, under funds which may be desig-
nated bond issues, as follows:

Public works and permanent improvement fund..... \$412, 260. 81
Manila sewer and waterworks construction fund..... 727, 629. 68

FILIPINO STUDENTS IN THE UNITED STATES.

During the past year Filipino students have been in attendance at
the following institutions:

New Haven, Conn:		Urbana, Ill.:	
Yale University.....	4	University of Illinois.....	6
District of Columbia:		Academy of the University of	
George Washington Univer-		Illinois.....	2
sity.....	1	La Fayette, Ind.:	
Chicago, Ill.:		Purdue University.....	3
Chicago University.....	4	Ames, Iowa:	
University High School.....	2	Iowa State College of Agri-	
College of Physicians and Sur-		culture and Mechanic Arts..	1
geons.....	7	Iowa City, Iowa:	
Armour Institute.....	2	Iowa State University.....	4
Northwestern University—		Manhattan, Kans.:	
Medical School.....	2	Kansas State Agricultural	
School of Pharmacy.....	2	College.....	4
De Kalb, Ill.:		Lowell, Mass.:	
Northern Illinois State Nor-		Lowell Textile School.....	1
mal School.....	1	St. Paul, Minn.:	
Dixon, Ill.:		College of St. Catherine.....	2
Dixon Business College.....	2	Lincoln, Nebr.:	
Normal, Ill.:		University of Nebraska.....	6
Illinois State Normal Uni-		Albany, N. Y.:	
versity.....	1	Albany Training School and	
Peoria, Ill.:		Academy.....	1
Bradley Polytechnic Institute..	1		

Ithaca, N. Y.:		Burlington, Vt.:	
Cornell University-----	5	University of Vermont, Med-	
New York, N. Y.:		ical School-----	1
Columbia University-----	4	Madison, Wis.:	
Columbus, Ohio:		University of Wisconsin-----	4
Ohio State University-----	4		
Philadelphia, Pa.:		Total-----	81
Drexel Institute-----	1	Deducting twice counting--	4
Woman's Medical College-----	2		
Villanova, Pa.:			
College of St. Thomas-----	1		77

In addition to these 77 students there was one student completing his course in Cornell University at his own expense, one allowed to remain in Colorado because of ill health, and one employed as a clerk in this bureau, making a total of 80.

The courses pursued by these were:

Agriculture-----	7	Medicine-----	12
Architecture-----	2	Pharmacy-----	2
Commerce-----	3	Preparatory to civil engineering--	1
Chemistry-----	2	Preparatory to electrical engineer-	
Civil engineering-----	17	ing-----	1
Electrical engineering-----	1	Preparatory to medicine-----	1
Elementary course-----	1	Preparatory to paper making-----	1
Forestry-----	1	General science-----	3
Law-----	4	Teaching-----	11
Mechanical engineering-----	9	Textile weaving-----	1

Since the date of the last report (Oct. 31, 1908) 31 students have been returned to the islands—November, 1908, 1; February, 1909, 1; April, 1; June, 17; and July, 11. Of these 1 was returned on account of misconduct; 2 returned because of the death of parents, and the others because of completion of courses or expiration of appointments. Of the 28, 3 received the degree of master of laws; 4 graduated in civil engineering; 1 in mechanical engineering; 6—two of whom were women—in the teaching course; 4 in agriculture; 2 received the degree of bachelor of science; and 2 completed the course in a business college after attending a law school for three years. One student (woman) graduated in medicine and has been allowed an additional period for hospital work, and 2 who graduated as pharmaceutical chemist and licentiate in pharmacy, respectively, have another year to spend in school before receiving their degrees as doctors of medicine. Two other students have graduated in civil-engineering courses and have been allowed to remain in the United States for a time to obtain experience. These two students receive no allowance. At the present time there are 49 students in this country under supervision of the bureau, 45 of whom receive a pension.

The health of the students has continued to be good and their conduct, with two exceptions, satisfactory.

The scholastic records have averaged high, there being but two cases of general failure. The students who arrived during the past year from the islands show a high standard of preparation and have done excellent work. Should this class of students continue to be received, the less encouraging features which have attended the movement thus far will disappear.

PUBLIC ORDER.

With the minor exception of the trouble with the Moro outlaw Jikiri on Jolo Island, where no constabulary are stationed, that

organization has maintained quiet and order in all parts of the Philippines throughout the year without the active intervention of the Army. Yet the Army is not without title to the credit therefor, nor should it be without pride in the achievement. The organization and efficiency of the constabulary are almost entirely the work of carefully selected officers of the Army, and reflect credit not only on the individuals but on the military service. In this connection it is not inappropriate to invite your attention to the very valuable asset which the War Department has in the varied and broadening experience which has been acquired by the young officers detailed on this important duty. Eight captains of the line are detailed with the Philippine Constabulary, five as chief and assistant chiefs, and three as inspectors-general. Constructive questions of organization, drill, maneuver, and the duties of equipment and supply are handled by these officers. The chief and assistant chiefs have an administrative responsibility and command far greater than that falling in peace to officers of their rank serving with their regiments. With the tendency to segregate regular troops on reservations, and the short tour of Philippine service for regiments, the continuous touch with conditions and people of the islands, so invaluable in case of need, is maintained for the Army almost entirely by these officers. While the constabulary work is called civil, it is on military lines, and equips these officers for a larger usefulness in the Army than service with their regiments as captains would, involving as it does the command of larger bodies of men; the meeting of more varied contingencies; the solution of delicate political problems; and the performance of important executive duties. If through the performance of this important and necessary service their permanent organizations suffer, extra officers to supply their places for the time being should be provided by legislation.

AMERICAN TROOPS IN THE PHILIPPINES.

The duties of regular troops in the Philippines now approximate closely to their duties in the United States. Even the proportion of American soldiers in the islands to the Filipino population is not vastly greater than the proportion of troops on home soil to the American population. So far as public order and tranquillity in the Philippines are concerned it might very properly be made the same, or even lower. I believe that one-half of the number of troops now in the islands would be sufficient guaranty against any possible internal disorder. Discussion of the broader subject of the relation of the troops in the Philippines to the general military policy and to questions of national and insular defense rather than of internal administration does not fall within my province here.

PORTO RICO.

Jurisdiction over the governmental affairs of Porto Rico, which was exercised through this bureau until May, 1900, was, in accordance with the act of July 15, 1909, again vested in the Department of War and responsibility for the administrative conduct in Washing-

tion of the civil government of the island again assigned to the bureau by the following executive order:

The following act of Congress approved July 15, 1909, is published for the information of all concerned:

AN ACT TO amend an act entitled "An act temporarily to provide revenues and a civil government for Porto Rico, and for other purposes," approved April twelfth, nineteen hundred.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the act entitled "An act temporarily to provide revenues and a civil government for Porto Rico, and for other purposes," approved April twelfth, nineteen hundred, is hereby amended by inserting at the end of section thirty-one of said act the following additional proviso:

"*And provided further*, That if at the termination of any fiscal year the appropriations necessary for the support of government for the ensuing fiscal year shall not have been made an amount equal to the sums appropriated in the last appropriation bills for such purpose shall be deemed to be appropriated; and until the legislature shall act in such behalf the treasurer may, with the advice of the governor, make the payments necessary for the purposes aforesaid."

Sec. 2. That all reports required by law to be made by the governor or members of the executive council of Porto Rico to any official in the United States shall hereafter be made to an executive department of the Government of the United States to be designated by the President; and the President is hereby authorized to place all matters pertaining to the government of Porto Rico in the jurisdiction of such department.

Under the provisions of section 2 of this act hereafter all reports required by law to be made by the governor or members of the executive council of Porto Rico to any official in the United States will be made to the War Department, and all matters pertaining to the government of Porto Rico are placed in the jurisdiction of that department.

The business of the department pertaining to civil government in Porto Rico is, pursuant to section 87 of the act of July 1, 1902, assigned to the Bureau of Insular Affairs.

WM. H. TAFT.

THE WHITE HOUSE,
July 15, 1909.

While amendment of the organic act of Porto Rico along this line as well as others had been suggested at various times in reports of the governor and in recommendations of the President to Congress, the immediate cause of the legislation during the extra session of the Congress was the failure of the Porto Rican Legislative Assembly to provide for the support of the government for the year beginning July 1, 1909. This failure grew out of disagreement between the house of delegates and the executive council, which forms the upper house of the Legislative Assembly, in connection with certain measures proposed in the house that the council felt were inimical to the welfare of the island. Agreement not having been reached at the legal expiration of the session a special session of the assembly was called the following day, but without favorable result, and adjournment again took place without definite action on the appropriation bill. The matter was then presented to Congress in a special message by the President and the situation relieved by the Act of July 15, 1909.

Under instructions from the War Department and in accordance with the power conferred upon him by this act, the governor of Porto Rico prepared a budget for the present fiscal year. It is to be noted that the act of Congress does not specifically reappropriate for the same purpose the several amounts named in the appropriation act of

the preceding year, but declares that, under the conditions then existing, "an amount equal to the sums appropriated in the last appropriation bill * * * shall be deemed to be appropriated; and until the legislature shall act in such behalf the treasurer may, with the advice of the governor, make the payments necessary for the purposes aforesaid." The attorney-general of Porto Rico held that this clause appropriated a lump sum for the support of the government equal to the sum of the various appropriations for the preceding year, and that it was not the intention of Congress to restrict to the same specific purposes during the fiscal year 1909-10 the amounts appropriated for these purposes for the fiscal year 1908-9. Disagreement with this opinion and objection to the programme of the governor were expressed by several Porto Rican lawyers who brought the matter to an issue in the United States district court for Porto Rico through an application for an injunction to restrain the governor, the treasurer, and the auditor from acting in accordance with this opinion of the attorney-general. The court sustained the action of the government and dismissed the suit, and the various departments of the Porto Rican government are now being conducted in accordance with the programme prepared by the governor.

PERSONNEL.

Col. George R. Colton, recently collector of customs in the Philippine Islands and with over ten years' experience in the service of the Philippine government, was inaugurated as governor of Porto Rico November 6, 1909, to succeed Governor Régis H. Post, whose resignation after over seven years' connection in different offices with the government of Porto Rico, took effect October 31, 1909. The only other changes of importance in the personnel of the Porto Rican government during the period since jurisdiction over its affairs devolved upon this bureau, have been the appointment of Mr. George Cabot Ward, formerly auditor, as secretary of Porto Rico to succeed Mr. William F. Willoughby, who resigned as secretary August 9, 1909, and the appointment of Mr. A. P. Sawyer, to succeed Mr. Ward as auditor, August 25, 1909.

FINANCES.

While the customs receipts of Porto Rico show a decrease again over those of the preceding year, the finances of Porto Rico still continue in a satisfactory condition, and no anxiety is felt concerning the sufficiency of the revenues for the conduct of the government on an economical basis. The decrease in customs receipts does not mean a falling off in trade, but is, rather, an encouraging sign of the gradual transfer of the foreign trade of the island to the United States. The total receipts from all sources for the year ended June 30, 1909, were \$3,548,960.98, and the total expenditures were \$4,095,184.85. This excess of expenditures over the revenues was a premeditated act of the Porto Rican Legislature in the belief that the surplus had accumulated to a point beyond the probable needs of the island. The treasurer's balance for the year still shows a surplus of over \$1,000,000.

COMMERCE AND INDUSTRIES.

The commerce of the island shows on the whole a continuous and encouraging growth. The exports for the fiscal year amounted in value to \$30,391,225 and the imports to \$26,544,326. The total trade of the island is larger than for any previous year and amounts in value to more than three times the trade for the fiscal year 1900-1901. The imports from the United States amounted in value to \$23,618,545, which almost equaled in amount the export trade of the United States for the same period with the whole Chinese Empire.

The industries of Porto Rico are, of course, mainly agricultural and generally are in a thriving condition. The production of sugar cane, tobacco, and fruits shows encouraging increase, which, in respect to the cane, may be expected to show still more when the irrigation system now under construction in the southeastern section of the island is completed. The production of coffee seems the only exception to the general progress and its gradual decline is the only real cause for apprehension in this field. Consideration is being given now to this industry in the hope of reestablishing it on its former basis of prosperity.

PUBLIC WORKS.

The construction of macadamized roads has continued throughout the island during the past year, and 92 kilometers were added to the roads previously constructed or existing at the time of American occupation, making a total of nearly 1,000 kilometers of excellent roads now reaching into almost every section of the island. While bridge construction has not kept pace with road making, nevertheless, 14 important bridges, mostly of steel and masonry, have been constructed during the year, and this work is progressing as rapidly as available funds will permit. This work and the construction of schoolhouses and the installation of the irrigation system in the Guayama district have mainly occupied the department of the interior during the year. The proposed irrigation system is the most important public work now under way in Porto Rico. The necessary funds for the work were provided by a \$3,000,000 bond issue to be met by a tax to be placed on the lands directly benefited. This work when complete will reclaim in part and immensely benefit the whole of one of the largest and most important cane-producing sections of the island, heretofore suffering from more or less continuous or regular droughts.

REVISION OF THE ORGANIC ACT.

The act under which the present form of government in Porto Rico was established has now been in force since May 1, 1900, with but few amendments, and may be said generally to have well met most of the necessities of the government as the situation has developed. That suggestions looking to a more or less general revision should be received from time to time is not surprising under the circumstances, and that amendment along certain lines is desirable in the near future is not to be doubted. For the most part, however, care-

ful study should be given to this matter before urging definite action upon Congress, and the matter is referred to at this time simply to indicate that such study is under way and will be covered by recommendations in due form at the proper time.

CITIZENSHIP FOR PORTO RICANS.

In connection with the subject of revision of the organic act, however, it is believed proper at this time to recommend that Congress be again urged to enact the necessary legislation to enable the "citizens of Porto Rico," as thus designated by section 7 of the act of April 12, 1900, to become citizens of the United States. Whether this be done by an act conferring in itself United States citizenship on the whole body of citizens of Porto Rico or by an act enabling them by the performance individually of some simple preliminary acts to become American citizens without delay is a matter of less importance than that in some way citizenship without serious inconvenience to the individual be extended to those who desire it. That citizenship should not be forced upon anyone may be argument against conferring it upon the whole body by a single act and in favor of the second course indicated, but that it should be extended by some positive act of Congress and thus appear to the Porto Ricans as an expression of good will on the part of Congress and the people of the United States admits, it is believed, of no doubt, provided it is the intention that the Porto Ricans shall ever be citizens of the United States. It is contended by some that American citizenship has already been extended to the people of Porto Rico, and that if a proper case could be brought before the courts it would be so decided. It has even been urged that under the act of June 29, 1906, citizens of Porto Rico may become American citizens by compliance with certain other terms of that act and without leaving the island. It is not desired to pass upon this controversy, but it would be regrettable if it were found that inadvertently Congress had conferred citizenship on the people of Porto Rico. It is hoped that the grant of citizenship may be regarded simply as an act of justice and performed in an open and unequivocal manner.

PROVISIONAL GOVERNMENT OF CUBA.

On September 14, 1906, during the disturbed conditions in the island, the President addressed a letter to Mr. Gonzalo de Quesada, minister of Cuba, in which he said, among other things:

Our intervention in Cuban affairs will only come if Cuba herself shows that she has fallen into the insurrectionary habit, that she lacks the self-restraint necessary to secure peaceful self-government, and that her contending factions have plunged the country into anarchy.

* * * * *

Under the treaty with your Government, I, as President of the United States, have a duty in this matter which I can not shirk. The third article of that treaty explicitly confers upon the United States the right to intervene for the maintenance in Cuba of a government adequate for the protection of life, property, and individual liberty. The treaty conferring the right is the supreme law of the land and furnishes me with the right and the means of fulfilling the obligation that I am under to protect American interests. The information at hand shows that the social bonds throughout the island have been so relaxed

that life, property, and individual liberty are no longer safe. I have received authentic information of injury to, and destruction of, American property. It is in my judgment imperative for the sake of Cuba that there shall be an immediate cessation of hostilities and some arrangement which will secure the permanent pacification of the island.

I am sending to Habana the Secretary of War, Mr. Taft, and the Assistant Secretary of State, Mr. Bacon, as the special representatives of this Government, who will render such aid as is possible toward these ends. * * *

The disturbed conditions continuing, with no apparent show of a compromise or cessation of hostilities, Hon. William H. Taft, then Secretary of War, acting under instructions from the President, issued a proclamation on September 29, 1906, proclaiming a provisional government under the United States, with himself as provisional governor. In the following language he gave assurances to the people of Cuba that the government thus established would be temporary only:

The failure of Congress to act on the irrevocable resignation of the President of the Republic of Cuba, or to elect a successor, leaves this country without a government at a time when great disorder prevails, and requires that, pursuant to a request of President Palma, the necessary steps be taken in the name and by the authority of the President of the United States to restore order, protect life and property in the island of Cuba and islands and keys adjacent thereto, and for this purpose, to establish therein a provisional government.

The provisional government hereby established by direction and in the name of the President of the United States will be maintained only long enough to restore order and peace and public confidence, and then to hold such elections as may be necessary to determine those persons upon whom the permanent government of the Republic should be devolved.

On October 6, 1906, Charles E. Magoon was appointed provisional governor, and on assuming his duties, October 13, 1906, he reiterated these assurances in the following language:

The policy declared and the assurances given by my predecessor, Secretary Taft, will be strictly adhered to and carried out.

As provisional governor I shall exercise the powers and perform the duties contemplated and provided for by the third article of the appendix to the constitution of Cuba, for the preservation of Cuban independence, and for the protection of life, property, and individual liberty.

As soon as it shall prove to be consistent with the attainment of these ends I shall seek to bring about the restoration of the ordinary agencies and methods of government under the other and general provisions of the Cuban constitution.

In a letter to the Secretary of War dated January 13, 1908, commenting on the first annual report of the provisional governor of Cuba, the President said:

* * * I direct that the installation of the President and Congress of Cuba, to be elected next December, and the turning over of the island to them, take place not later than February 1, 1909.

If it can be turned over earlier I shall be glad, but under no circumstances and for no reason will the date be later than February 1, 1909.

And in transmitting that report to Congress on the following day the President said:

* * * I am glad to be able to say that we can now definitely announce that one year hence, by or before February 1, 1909, we shall have turned over the island to the President and Congress to be elected next December by the people of Cuba. Our word to turn over the island to its own people will be scrupulously regarded, and through their own President and Congress they will administer the government of the island a year hence.

How scrupulously this promise was regarded and how effectually it was carried out is shown by recent events. A census of the island was taken in order that a full and fair registration list might be compiled, after which two elections were held, the first on August 1, 1908, at which the provincial and municipal officials were elected, and the second on November 14, 1908, at which were elected the President, Vice-President, Senators, and Representatives in Congress. Although the campaign was one of great activity and intense partisan feeling was displayed, yet absolute tranquillity prevailed at the first election. After a most exciting and enthusiastic campaign in which the candidates for President and Vice-President toured the island from end to end the second election was held and conducted with absolute order as complete as prevails in the best regulated towns in the United States. Both elections were conducted substantially as are elections here.

These elections were conducted under an election law drafted by the advisory commission and given as much publicity as possible. After careful consideration of suggested amendments and such as appeared advisable had been incorporated, it was promulgated as law by the provisional governor on April 1, 1908, and amended on September 11, 1908, by reason of experience gained in the application of the law in the provincial and municipal elections.

The Liberal party was generally successful, all Senators being of that party, and Gen. José Miguel Gómez was elected President and Dr. Alfredo Zayas Vice-President, receiving all the presidential electoral votes cast. The provisional governor, pursuant to instructions from the President of the United States, assembled the Congress, which met on January 13, 1909, and on January 28, the President and Vice-President-elect were duly inaugurated and the provisional government ceased and terminated at noon of that day.

The cost of the intervention, including all extraordinary expenses arising therefrom, paid largely from the appropriations for the military establishment of the United States, was as follows:

Statement of extraordinary expenditures on account of the army of pacification in Cuba.

	Fiscal year.			Total.
	1907.	1908.	1909.	
Military Information Division, U. S. Army.....	\$4,906.28	\$10,095.72	\$5,430.21	\$20,432.21
Signal Corps, U. S. Army.....	94,892.98	7,621.95	2,707.22	105,222.15
Engineer Department, U. S. Army.....	17,849.79	11,675.99	4,990.32	34,516.10
Medical Department, U. S. Army.....	88,839.02	34,723.90	10,371.54	133,934.46
Commissary Department, U. S. Army.....	171,134.14	207,816.17	154,872.42	533,822.73
Quartermaster Department, U. S. Army.....	2,656,471.27	1,312,612.64	720,868.98	4,689,952.89
Ordnance Department, U. S. Army.....	3,838.09	10,860.79	3,035.40	17,734.28
Paymaster Department, U. S. Army.....	255,450.76	251,065.36	223,445.92	729,962.04
Judge-Advocate-General, U. S. Army, law books.....	444.10	-----	13.25	457.35
Paymaster Department, U. S. Marine Corps.....	41,072.83	45,819.85	34,988.90	121,881.58
Quartermaster Department, U. S. Marine Corps.....	41,835.87	42,794.52	36,965.08	121,595.47
Total.....	3,376,735.13	1,935,086.89	1,197,689.24	6,509,511.26

* Of the total sum, \$121,881.58, \$1,511.88 is chargeable to "Pay of Navy" and \$321.13 to "Pay Miscellaneous—Navy."

*Expenditures of the Republic of Cuba on account of American intervention,
October 1, 1906, to June 30, 1909.*

Amount advanced by the Republic of Cuba	\$895, 891. 92	
Expenditures:		
Barracks and quarters	\$830, 945. 46	
Target field	14, 139. 86	
Salary of provisional governor	14, 333. 28	
Printing and miscellaneous expenses	6, 369. 12	
Roads	899. 81	
Mileage and actual expenses	15, 123. 05	
Amount in hands of disbursing officers	14, 081. 34	
Total	895, 891. 92	895, 891. 92

DOMINICAN CUSTOMS RECEIVERSHIP.

The administrative control of the Dominican customs receivership continued to be exercised during the year through this bureau. The second year of the receivership under the convention of 1907 ended June 30, 1909. Mr. W. E. Pulliam has remained in office as general receiver and there have been no important changes in the personnel. The actual customs receipts for the year turned over to the receivership amounted to \$3,359,389.71, a decrease of \$109,720.98 from the receipts of the preceding year. Because of generally unfavorable commercial conditions and the anticipated revision of the Dominican tariff laws an even greater decrease than this was anticipated, and this slight falling off gives no cause for concern. The remittances of \$100,000 monthly required by the convention were made promptly to the fiscal agent in the United States, and deducting only the expenses of the receivership, the balance of the collections was turned over to the Dominican government. The limit of expenditures on account of the receivership is fixed by the convention at 5 per cent of the customs receipts, a maximum that has not in any of the four years of the life of the receivership yet been reached. The expenditures of the receivership for the last fiscal year were 4.05 per cent of the receipts, in which is included, though not specifically so required by the convention, the total cost of the maintenance of all of the custom-houses and the collection of all the customs revenues. The balance of the 5 per cent authorized and remaining unexpended accrues to the Dominican government.

The receivership has, at the request of the Dominican government, placed itself at the disposal of that government in the preparation of drafts of the new tariff measure now under consideration to take the place of the tariff laws enacted in 1897, and since modified by numerous decrees and resolutions having the effect of amendments. Recent reports indicate that the new law will become effective January 1, 1910. The measure has been carefully drawn to remove many of the oppressive features of the existing laws, while at the same time assuring revenues that will meet the requirements of the convention and the necessities of the Dominican government. It is believed that once in operation a marked increase of trade of the republic will follow and a higher standard of living for the Dominican people will gradually develop.

Regular reports and copies of the accounts of the receivership are received in the bureau for examination, and in accordance with the

terms of Article 4 of the convention and of the executive order of July 25, 1907, an annual inspection of the accounts and records of the receivership is made on the ground by a representative of the bureau.

The following is a statement of receipts and expenditures by the receivership under the *modus vivendi* and convention:

Statement, by fiscal years, of the customs service of the Republic of Santo Domingo under the operation of the "Modus Vivendi" and the convention of February 8, 1907, from April 1, 1905, to June 30, 1909.

	April 1, 1905, to June 30, 1905.	July 1, 1905, to June 30, 1906.	July 1, 1906, to June 30, 1907.	July 1, 1907, to June 30, 1908.	July 1, 1908, to June 30, 1909.	Total.
DEBITS.						
Expenditures:						
Interest and exchange, S. Michelena.....	\$2,186.17	\$5,405.54	\$11,563.96	\$12,185.71	\$10,831.17	\$42,172.55
Salaries and expenses at all ports.....	13,454.97	70,199.47	72,478.23	79,963.42	84,710.25	320,806.34
Salaries and expenses, office of controller and general receiver.....	7,427.88	34,138.94	37,683.06	43,007.80	55,023.38	177,281.06
Expenses of customs and frontier guard.....		32,870.66	58,093.22	46,643.67	3,542.37	141,149.92
Expenses of revenue-cutter service.....		1,065.68	42,012.96	41,057.50	33,344.52	117,480.66
Cost of revenue cutters.....		18,680.00	38,517.50			57,197.50
Cost of customs-house at El Fonda.....			3,046.80	696.12		3,742.92
Property and supplies, general service.....				215.50	527.64	743.14
Expenditures from internal revenues:						
Ramona-Seybo-Macoris Railway.....		5,935.06	28,127.19	15,554.79		49,617.04
Mona-Monte Cristi Railway.....			56,770.45	25,924.68		82,695.13
Guaranty fund for construction of railroads (derived from internal-revenue fund).....			22,708.17	10,369.87		33,078.04
Refunds of customs collections:						
Personal fees and concessions.....	8,462.78	54,911.08	64,728.94	59,338.51	21,875.86	209,317.17
Excess duties.....		3,897.10	9,172.57	9,682.42	4,628.76	27,380.85
Payments:						
Paid Dominican government, account of internal-revenue balance.....				9,105.52		9,105.52
Jimani affair.....				655.15		655.15
Republic of Santo Domingo. Remittance under "Award".....	143,882.02	1,216,428.73	1,345,757.46	1,463,217.61	1,826,942.00	5,996,227.82
Bills payable.....	2,751.43					2,751.43
Morris indemnity.....	8,167.96	5,300.00				13,467.96
Las Matas affair.....			1,126.85			1,126.85
Milburn settlement.....			5,000.00			5,000.00
Available for distribution:						
Fiscal agency account ^a	254,158.79	1,287,158.73	1,481,045.12	1,630,487.76	1,159,890.98	5,812,741.35
One-half surplus account of sinking fund.....					39,118.10	39,118.10
Balance due Republic of Santo Domingo.....					58,063.58	58,063.58
Unremitted balances of customs collections in hands of deputy receivers.....					21,277.90	21,277.90
Depository account (unremitted balance), account of fiscal agency.....						
					100,000.00	100,000.00
Total.....	440,492.00	2,735,990.99	3,277,832.48	3,448,106.03	3,419,776.48	13,322,197.98
CREDITS.						
Gross customs collections.....	523,880.12	2,712,821.55	3,300,392.44	3,446,448.20	3,338,655.67	13,322,197.98

^a Transferred from sinking-fund account to the fiscal-agency account on December 31, 1907.

LAW OFFICER.

In addition to the routine work of this office, constantly widening in scope and enlarging in amount, there have been many questions presented with relation to the closing of the provisional government of Cuba and the coming under the bureau of the government of Porto Rico by act of Congress and the executive order of the President. The arrangement of the obligation of the Manila Railroad Company and the guaranty of a portion of its bond issue made necessary extended negotiations as to the substance and form of its obligations under such guaranty. During the year the law officer has been charged with the conduct in the supreme court of all cases in which the government of the Philippine Islands or any of its instrumentalities is concerned as a party.

CIVIL OFFICERS IN THE PHILIPPINES.

For the reasons explained in my last annual report, I again strongly recommend that Congress be asked to provide for the retirement of certain civil employees of the Philippine government on part pay after ten years or more satisfactory service.

As previously shown, the expenditures, under the plan proposed, can never exceed \$100,000 annually, and will be made, of course, from Philippine revenues, since it is the Philippine government that may expect to profit most from the increased incentive to efficiency in its personnel.

OFFICES OF THE BUREAU.

The bureau is seriously handicapped in its work by the lack of adequate offices. The chief of bureau and his assistants have one room in which to receive callers on official business and conduct the correspondence of the bureau. The adjoining room is occupied by the clerks assisting in the correspondence, and in another room across the hall are kept the records. Interest in our insular possessions has increased to such an extent that in addition to a large volume of correspondence there are numerous callers requiring personal interviews. The chief of bureau is constantly embarrassed while engaged with one caller upon matters of importance by interruptions from others, and it is a common occurrence to have half a dozen or more persons in his office at the same time, each desiring to discuss different matters. A separate office for the chief of bureau and an adjoining room in which his assistants could receive callers, ascertain the nature of their business, dispose of the same, or arrange for an interview with the chief of bureau, has become essential to the proper and orderly conduct of the work of the bureau. As a temporary expedient, the room adjoining the office of the chief of bureau should be occupied by the assistant to the chief, and the correspondence clerks now in that room should be provided with quarters elsewhere on the same floor.

This room is urgently needed and it is recommended that it be supplied.

The bureau uncomplainingly undergoes the inconveniences due to the congested state of the State, War and Navy building. At present the clerks and records are widely scattered and inadequately provided

for, some being on the second floor of the State, War, and Navy building, some in the basement and in the subbasement of that building, and others in a rented building at 1800 F street, while a part of the records are kept in rented storage at 920 E street. It is evident such a condition is contrary to sound administration, but request now is made not to correct conditions for the present inevitable, but only such as may be remedied.

PERSONNEL.

OFFICERS.

With the widening activities in the insular possessions, the work of this bureau has, of necessity, increased rapidly. The recent assignment to the bureau of administrative responsibility for Porto Rican affairs has added not only to the work but presented problems for solution which, if not new, are at least different in detail and require both care and experience to insure successful solution.

While the work and responsibilities of the bureau have increased, there has been no such corresponding growth in its personnel. As I have said before, I believe the provision for the exercise of the higher responsibilities of the bureau by officers of the Army a wise one. This follows naturally from their training and their familiarity with the administrative methods of the department, but their first-hand knowledge of the field of the bureau's labors is an additional and important reason for this provision. In addition to the Chief of the Bureau, its permanent officer personnel consists under the law of one assistant, detailed from the army, with the rank of major, for a period of four years. Were the officer force limited strictly to the one assistant thus provided, the usefulness of the bureau would be seriously impaired. It is hardly to be doubted that more different problems and more varieties of work fall upon this office than upon any other single bureau of the Government, since it is concerned by its very nature with almost every form of governmental activity arising in the administration of insular possessions on two sides of the world and affecting a total population of over 11,000,000. Where similar activities are exercised in connection with the home government, they are divided among many different departments and bureaus. With this in mind, it may be understood that no officer, however able, called for the first time from his ordinary duties to take up the responsibilities of an entirely different nature inherent in a bureau of this character, could immediately grasp all of the problems presented. Under the most favorable circumstances some little time would be necessary for him to familiarize himself with the work and to insure its wise conduct without break in the policy in force.

Under the present law providing for only one assistant, to be relieved every four years, or in case of casualty or the relief of the assistant authorized for any other reason than expiration of his legal term, the bureau, without a trained officer immediately to take his place, would be seriously handicapped, and an unfortunate hiatus would necessarily follow while the newly appointed assistant became familiar with his duties. As pointed out in a previous report, this condition actually presented itself when the officer detailed under

the law received his promotion in the line of the army something over a year ago. This condition was met temporarily by the direction of the Secretary of War through the continuance on detached duty in this office of the officer relieved from detail under the act of 1907. While another officer was detailed in accordance with the law, the conditions thus presented and the steadily increasing volume of work in the bureau have rendered the steady employment of both of these officers imperative. I can not emphasize the fact too strongly that the future efficiency of the bureau demands legal provision for at least two assistants. In variety of work no other bureau of the War Department can, for the reasons shown, be compared, and in volume there are few, certainly, that exceed it. Yet there is no other bureau in the Department that has not for assistants to its chief more officers, and more officers of comparatively high rank, than the Bureau of Insular Affairs. Only the fact that the bureau has been fortunate in securing officers peculiarly qualified and endowed with exceptional energy has made possible, I believe, the results achieved. To Major McIntyre, especially on account of his long service, and to Major Shelton, the other assistant, and an officer of unusual ability, faithfulness, and efficiency, I owe my personal and official thanks. It would have been impossible without their aid to attain to what the bureau has accomplished.

Maj. Frank McIntyre, the first assistant appointed under the act of Congress conferring the rank of major upon the officer thus appointed as assistant to the Chief of the Bureau, was detailed on this duty in 1905. During the absence of the chief he has been acting chief of the bureau. These absences on duty have been prolonged in two instances to about four months each and in one instance to about eight months. He was selected originally for his qualifications for the work required. His work for the bureau and his assistance to me have been invaluable. Much of his work has been of a creative order. His capacity, his judicial temperament, and the results he has obtained make him, in my estimation, almost essential to the bureau, if it may be anticipated that the problems presented to it for solution continue as important as they have proved in the past, and to the efficiency of the office as a clearing house between the Government of the United States and the insular possessions under the War Department.

Not only to assure a moderate reward to an officer who has thus given vastly increased labors to the bureau and the Government in the capacity simply of a detached officer, but to make it possible in the future to secure the experience and judgment essential where so many important interests are concerned, suitable rank should be authorized as an accompaniment of the office when an additional assistant is provided. It is urged therefore that Congress be requested to provide for the detail of two officers hereafter as assistants to the Chief of the Bureau instead of the one now authorized, and that these two officers, while so serving, shall have rank, pay, and allowances of colonel and major, respectively. As the one now authorized has under the law the rank of major, this would mean simply provision for the detail of one additional officer with the rank of colonel.

CLERKS.

Notwithstanding the increasing demands on the bureau throughout the year, its work has been kept up to date without increase in the clerical force, though not without considerable overtime work and the loss in some instances of the regular vacations to which by law the members of this force are entitled. Without a corps of well-trained clerks and a high standard of individual efficiency this result would have been impossible. In view of the increasing responsibilities and work of the bureau I again recommended in my estimates for the present fiscal year small increases in the force and in the salaries of a few of the clerks occupying positions of increasing responsibility. These estimates were returned for revision, however, and but two additional clerks were finally authorized.

Exclusive of the salaries of the Chief of the Bureau and his two assistants, the cost of the bureau to the United States Government is now about \$86,000 annually. A comparison of these figures with the regular and special appropriations made for the support of the bureau in the past will show that, notwithstanding the increased responsibilities and work intrusted to the bureau, there has been no corresponding increase in the cost of its maintenance. Not only this, but there has been an actual reduction in number in the clerical force of the bureau—a result made possible only by increased efficiency in organization and individual development in the personnel as the various employees became experts in this wholly new line of work. To maintain this standard some incentive in the way of increased salaries and opportunities for advancement are deemed absolutely essential. Not only this, but the increased cost of living, so plainly apparent on every hand and constantly accentuated, would seem sufficient to warrant an increase in departmental salaries fixed almost sixty years ago as an actual necessity for the proper support of the employees who give their lives to this service. Congress has recognized this condition in granting liberal increases in other branches of the governmental service, and it would seem but just that this important part should receive similar recognition.

I can not speak too highly of the interest and energy that the clerks of this bureau have put into their work, and the unity of purpose that has animated them in carrying to success the purposes for which the bureau was organized.

Respectfully submitted.

CLARENCE R. EDWARDS,

Brigadier-General, U. S. Army, Chief of Bureau.

THE SECRETARY OF WAR.

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